

**Iowa Telecommunications & Technology Commission
Grimes State Office Building, 1st Floor
400 E. 14th Street, Des Moines, IA 50319**

FINAL

July 18, 2013

To ensure the most efficient use of State resources, the July 18, 2013, ITTC meeting was held via conference call pursuant to Iowa Code section 21.8. A conference call also ensured more Commissioners were able to participate in the meeting and reduced the risk of delays caused by weather or other impediments to travel. The meeting was accessible to members of the public through attendance at the Grimes State Office Building.

Commissioners Present

Richard Bruner, Chair (on-site)
Robert R. Hardman, Member (via video conference)
Mary Sellers, Member (on-site)
Kathleen Kohorst, Member (on-site)
Tim Lapointe, Member (on-site)
Mary Mosiman, Ex-Officio Member (on-site)

Iowa Communications Network Staff Present:

Dave Lingren, Executive Director
Mark Johnson, Administration Director
Phil Groner, Business Services Manager
David Marley, Network Operations and Engineering Manager
Ric Lumbar, Network Operations and Engineering Director (via teleconference)
Deb Evans, Finance Manager
Lori Larsen, Communications Director
Jontell Harris, Director of Government Relations
Helen Troyanovich, Product Engineering and Delivery Manager
Marcia Page, Executive Secretary

Guests:

Meghan Gavin, Attorney General's Office
Joe Hrdlicka, Iowa Telecommunications Association (ITA)
John Korkie, CenturyLink
Sean Cory, CenturyLink
Gina Miller, CenturyLink
Terry Rinehart, Iowa Public Television (IPTV)
Marcia Tannian, Legislative Services Agency (LSA)
Bill Backlin, North Iowa Area Community College (NIACC)
Ken Colwell, St. Ambrose University/Independent College Rep to the ETC
Joe Coon, Mississippi Bend Area Education Agency (AEA)

Call to Order

Chair Bruner called the meeting to order at 10:31 a.m. It was noted that a quorum of members was present for the meeting.

Approval of 5/16/13 and 6/26/13 Meeting Minutes

Commissioner Kohorst moved to approve the 5/16/2013 and 6/26/13 ITTC minutes as written.
Commissioner Lapointe seconded the motion.

Commissioner Hardman – Yes

Commissioner Kohorst – Yes
Commissioner Lapointe-Yes
Commissioner Sellers – Yes
Commissioner Bruner – Yes

Old Business:

BTOP Grant Update - Dave Lingren

BTOP is at the end of a long journey. BTOP was a three year process, which the staff was able to complete on time and under budget. All the installations and work associated with BTOP was completed by June 30 and we are now working with the National Telecommunications and Information Administration (NTIA) to ensure that all reports are current and up-to-date so the project can be closed. The fiber optic core network, the part that the State owns, now has electronics that not only meet the needs of ICN users today, but is also well positioned to meet future needs because of the very robust, good architectural design of the equipment. Also, due to the demand, especially in the education community where old DS3 technology was still being used but couldn't meet the growing needs of the internet, we were able to enter into Indefeasible Rights of Use (IRU) dark fiber leases so we have the ability initially to go to 100 mg or beyond as required. This allows ICN to position itself for the educational community's increasing demand for internet. ICN would like to thank and commend the BTOP team for doing an excellent job.

Commissioner Bruner: This has been a huge long-term project with many dollars involved. On behalf of the Commission, I'd like to thank the staff and everyone involved with the BTOP project.

Sale/Lease Update - Dave Lingren

Mark Johnson and Dave Lingren made a presentation to the Governor's staff providing a preliminary overview of the final RFP process. There will be another meeting scheduled in the future to answer questions, provide more information and eventually meet with the Governor to review the evaluation and information.

Discussion

Q: Commissioner Lapointe- Who will be attending the meeting with the Governor and Governor's Staff?

A: Dave Lingren- Commissioners are welcome to attend the meeting with the Governor and staff. At this time, Mark Johnson, Dave Lingren and Ric Lumbard will be attending the meeting.

New Business:

K-12 Connections Report – Terry Rinehart, Iowa Public Television (IPTV)

Terry Rinehart provided a handout including the K-12 Connections Report for the quarter, with the information for the period ending on June 30th. The top of the report is a comparison of four years' worth of data on the K-12 Connections project regarding the number of ICN hours that were used within school districts linking up to the K-12 connections through the ICN's video classrooms to participate in educational sessions. The year, K-12 Connections held a total of 327 sessions. 2,162 school sites participated in K-12 sessions and generated 4,115 hours of ICN usage time. This year, a total of 13,469 children across the state were able to participate in the sessions. The most popular sessions offered in partnership through the ICN video classrooms during this quarter included "Arthur Goes to Camp" based off of the popular children's program character, Arthur. IPTV had 283 students

across the state participate in that session. A perennial favorite is the Iowa Capitol Virtual Tour. IPTV has run that session multiple times for many years and during this last quarter had 254 students across the state participate in the virtual tour. Some classrooms do not get the opportunity to visit the State Capitol so they make use of the virtual tour. In other instances, the classrooms do have the opportunity to visit the State capitol but they use the virtual tour to prepare for the field trip so that when they arrive, they have a better idea of what they're looking at and get more out of the experience. It improves the educational experience. "Stories And More" is another session which focuses on food and where food comes from. This session was attended by 217 students. "Zoo Friends" involves a partnership with Blank Park Zoo and was attended by 204 students. Also, the "Environment" session attracted 194 students across the state.

IPTV would like to acknowledge partnership activity. The "Habitats" session is done through partnership with the Polk County Conservation Department. They have naturalists and educators that collaborate with IPTV on conducting ICN sessions. Another interesting session was the "Iowa Ice Age and Finding Bones in Iowa" session featuring a University of Iowa staff member. The session included discussion about the giant sloth remains found in Iowa and also a recent find of a major mammoth site. The children are very fascinated with these subjects. IPTV did a lot with authors during the last quarter and also a very popular session called "Munch My Math" where the students partake in hands-on math activities using cereal and other foods that they are allowed to eat after the session concludes, which they enjoy. IPTV has also included select user comments in the report. IPTV receives comments from teachers following every session and the comments reflect representative samples to show that the teachers really appreciate making use of the ICN video sessions that we provide through K-12 Connections. The last page of the report is a listing of educational outreach activities and events that IPTV has been involved in during that quarter period. IPTV always promotes the partnership with ICN in providing K-12 Connection programs to schools to make them aware of upcoming sessions. IPTV is doing an increasing amount of work with individuals referred to as Pre-Service Teachers, who are at higher education institutions preparing to become teachers. IPTV also worked with several homes at the home school organization in this quarter to get the word out about their ability to participate in K-12 Connection sessions. IPTV is working to develop a new model for K-12 Connections. IPTV will be visiting and observing the newly built rooms being installed in the Grimes State Office Building. IPTV plans to implement the *video@lightspeed* equipment as well as the ability to record sessions for classrooms that may have missed a session. IPTV is also looking at a model of featuring more high profile sessions that would perhaps attract a larger audience across the state. IPTV wants to thank the Commission and the Iowa Communications Network (ICN) staff for the support and collaboration, enabling us to develop content and helping us distribute it across the state to students who might not otherwise have these educational opportunities.

Dave Lingren: Commissioners, I appreciate working with Terry. IPTV has been very cooperative, and this fiscal year ICN is investing \$180,000 dollars in K-12 Connections. That is why these reports are presented – to make sure the Commission understands how K-12 Connections is being used. Online learning is expanding and the classrooms are no longer being used in the same manner. Students with iPads and laptops will be able to access different information within the same classroom. We are really trying to adapt and meet the changing needs of education.

Fiscal Year (FY) 15 Video Rates - Phil Groner

This is the time of year to begin setting rates for next fiscal year. ICN will solicit comments from stakeholders and users. The action and approval for rate setting will take place in the September commission meeting. Typically during this time ICN will post on the ICN website and request comments from authorized users and customers regarding rates that ICN will then report back to the Commission. ICN Account Consultants also engage the customers, in particular large video users, and request information they may have or input they may have regarding video rates. In addition, ICN has already discussed rates with the ETC. The ETC has always been very good about providing rate setting input to the Commission. ICN will propose some minor changes in the IP Video Conferencing that is primarily in naming conventions. We also want to make sure that the current product description matches the product pack that was released with *video@lightspeed*. The FY15 budget that Deb Evans will present is based on the current rate structure and most likely our recommendation will be that to keep the rate structure as is for both MPEG2 and IP. Next year at this time we will have a full year under our belt with the *video@lightspeed* product and will have more data and input from users to discuss video rates. Also, next year will be a good time to begin discussing MPEG rates, the possibility of “sun-setting” that product and what we may or may not have to do with MPEG 2 rates.

New ICN Products Soon To Be Released - Ric Lumbard

Commissioner Bruner: Looking forward to learning about the four new products.

Ric Lumbard: We are excited to be able to provide the Commission an update on the OpenScape Voice (OSV) family suite of services that the ICN is now able to begin to present to authorized users across the state. OSV is a Voice Over IP (VoIP) platform that allows ICN to move all across the state. It is on the Siemens platform. Siemens has the densest VoIP port population anywhere in the world. We are on the best in class, best in breed, VoIP platform right now to be able to service ICN authorized users in the state. We are releasing these four products into the Business Services division. This does not mean it will be generally available right now. It means the product has been developed, has been packaged and has been released to Business Services so they can prepare the product to be released to the stakeholder community.

The first product is called OSV Analog. This allows ICN to take analog phones and run them across the OSV platform so they can be converted to legacy type analog devices across the new OSV platform anywhere in the state. We also have OSC premium, which is a managed service that offers a suite of six Unified Communication Services bundled with it. It is an advanced feature set that starts to bridge in Unified Communications, unified messages and those types of processes all together and again we are able to offer this to the authorized user base across the state. We also have the ability to offer OpenScape Voice Contract Center (OSVCC) services, which is for Contact Centers. Contact Centers are those agencies that have condensed groups of call center agents or people who answer the phone in a call operation. These are the first four major products in that family of services that are being released and this allows the State, whether the Executive Branch, or authorized user base, to be able to launch into the new managed services platform that the ICN has. This quarter will also bring the Commission their long awaited entry into the video platform. By the end of this quarter, ICN will have options for the Commission to connect by video also.

Q: Commissioner Bruner-This is really exciting for me having been in the industry a very long time, taking the legacy system, building on VoIP and providing hundreds of features and functions. I

believe ICN will be able to meet the needs of most of the state agencies with these services. Ric, do you have an example of someone who is already using the service today?

A: Ric Lumbard - ICN is has already moved over to the platform. The Business Services division is working with the Department of Corrections (DOC) right now and will be installing the OSV platform at several DOC facilities across the state.

Phil Groner: The DOC Mitchellville facility has already placed an order and ICN is in the process of turning up phase one which will probably be completed in the August time frame. They have added buildings and expanded their campus and ICN has partnered with them. We appreciate their work with the ICN in deploying the OSV Essential product to their campus. Fort Madison Prison, with the build of the new prison, is our next site on schedule and we are still working with DOC on that. The plan with DOC is that the two prisons would then become the model for their other facilities across the state as well.

Q: Commissioner Lapointe- Does this involve going out and installing new switches? What logistically will be done?

A: **Ric Lumbard-** Yes, at a hardware level or level one, it does require that ICN install an Ethernet platform. VoIP requires an Ethernet fabric underneath and in most cases ICN will manage that infrastructure. In certain cases, the customer can manage certain aspects of their Ethernet experience. In legacy days, ICN would have a cable for the computer and a cable for the phone. An example is in my office, I have one cable that goes to my phone and then goes to my computer so it actually runs across the same, or it could be different, Ethernet platform. In some cases it would require wiring upgrades in the horizontal plant of the facility, but in other cases we could run on the existing Ethernet platforms that are currently being used.

Commissioner Lapointe: Thank you.

Q: Commissioner Bruner- Could you explain a converged and a non-converged network?

A: **Ric Lumbard-** Yes, in the traditional Private Branch Exchange (PBX) data world there would be a cable for your computer and a cable for your phone and those are very dissimilar systems. A phone could be two or four wire, or powered or unpowered. There are different options. In the world of VoIP, it is all Ethernet Internet Protocol or IP, and because it is the same platform that the computers runs on, in many cases, the two communication platforms can be converged together to run over the same Ethernet hardware, same Ethernet cable, and same Ethernet communication protocol. The data can still be protected inside a converged network. It can be separated. There are various ways and methodologies of separating and protecting the data, so that we are not in the data stream of all the other secured data, but we would actually be running across the very same network, the very same Ethernet switches, the very same cable, voice and video together, on the very same platform, so it does provide some synergy in costs. You can use one set of Ethernet hardware. It is not necessary to have an entire wiring system for voice, and an entire wiring system for data, as would be the case with legacy, so it allows ICN to converge those two technologies together on a single platform.

Dave Lingren: Commissioner Lapointe, when you mentioned about available equipment, like Ric was saying in the Legacy world, what likely would happen is that Mitchellville would have their own PBX and Fort Madison would have their own PBX but in this environment the central intelligence of the

system would be operating with what we have here on the complex and we have some redundancy and backup. Then you just simply add an Ethernet switch, which most users already have because they're running their own Local Area Networks (LAN). They do not have to put out their own PBX to get the telecommunications service that they want so it is more cost effective.

FY14 and FY15 Budget - Deb Evans

Dave Lingren: Deb before you begin, if you don't mind I want to explain. This has been confusing to me for three years so it may be confusing to the Commission. ICN budgets are actually part of the Governor's budget, so when it comes to getting approval for the budget, we receive approval from the Department of Management (DOM) and from the Governor's Office. Typically we present the budget to the Commission before getting approval from the Governor so that the Commission may have input and tell ICN "yes" or "no", you don't think that is necessary, or you would like to see this. Unfortunately, because we are in FY14 already, you are going to be seeing the FY14 budget that has already been approved and that we are currently operating under. This is not the case for FY15. Although the Governor did submit a two year budget, there will be some tweaking of that the budget a year from now.

Deb Evans: This year, ICN will end up in the negative and will have to draw on cash. Starting with Voice revenues; our expectation is revenue will slightly decrease or be neutral. That is due to the lower pricing for the new managed service. Dave Lingren made statements about lowering state government costs so that is part of it as well. We expect those costs to decrease and hopefully get a few more customers, so it will be neutral. Data revenues should continue to increase due to the upgraded network with BTOP. Video revenues we expect to still trend down. We are moving to flat rates, which are a lot more economic for the schools that use a lot of hours. We are hoping they will use more hours. Expense revenue; Voice services have been down. We have cleaned up a lot of voice circuits and made other changes so the Voice revenue has been trending down. We expect that to continue. Data revenue continues steadily with little change. Video revenue expenses are steady. Installation expenses should decrease. Currently, there are three fiber projects for a total of about \$250,000, which is a decrease from previous years. Personnel expenses have increased. ICN has not back-filled any vacancies due to the Sale/Lease RFP and BTOP. We have had some contract individuals working so we are expecting to back-fill some of those positions. ICN will not necessarily fill every position included in the budget, but the positions must be listed in the budget. ICN had 12 positions that were vacant. We have had more vacancies within the last month or so. We have to include those position salaries and benefits in the budget. We are not expecting to fill all of those positions. We will have a decrease in professional and consulting fees because some of the contract positions are going to be combined into the vacancies. Right now, those vacancies are worth about \$850,000. Along with consulting fees for contract employees decreasing, there will also be a reduction in project management expenses of about \$450,000 for Fiberutilities Group that was paid for assistance with the RFP and the BTOP project. A small amount was added to the budget to conclude the BTOP project. Operating expenses; were estimated with the new services that ICN is introducing.

Phone repairs and expenses that are associated with line side service will go away when ICN begins the contract for managed services. Depending on how the contract is written. There are expenses associated with Joint Forces Headquarters (JFHQ) that are not reflected in the budget. ICN pays a percentage for, along with several other entities, expenses for chilling towers, lights any upgrades performed at JFHQ. Training expenses have increased due to new products such as OSV, IP Video and a new system called Service Manager.

Administration expenses have increased from about \$2,900 to \$36,000 due to promotional ads being aired on IPTV. These ads are to adhere to BTOP requirements. The ads are also associated with ICN 2.0 and will include short ads airing for the next year. ICN has also held off on buying computers so there will be an additional expense for PC leases.

ICN has not completed a capital plan for the last few years. We are going to start working on putting one together every year to see where we are and what we need in the network. Some expenses will be paid by appropriations, mostly video and OSV. The appropriations section of the document will not be taken from the operating budget. Instead, it will all be purchased with appropriations.

Cash from Operations - this year, as opposed to previous years, Engineering and Operations was asked to provide financial need lists. Finance then worked with the Eng/Ops to spread the dollars evenly throughout FY14 and FY15. Service Manager is a larger but necessary expense that is included in the budget. Other necessary items included in the budget are related to maintenance. ICN wants to change some of the Digital Signal 3 (DS3) sites to Ethernet and other similar tasks.

Dave Lingren: The hiring backfill plan is staggered. It is staggered because unless the revenues demonstrate the ICN ability to support the positions, we are not going to be able to fill them. Equipment purchases are also reflected in the budget so that we understand what our needs are, but we are not necessarily going through with the purchases unless we are certain that the financial needs can be met. We do have the cash available but it is really only to be used for purposes of investing in the network and keeping the network relevant and current. It is not just money accruing for no reason but the ICN goal is to try to manage to a bottom line.

Q: Commissioner Hardman- Deb, in the past we have had the opportunity to modify the budget and I'm wondering when we might have the opportunity with this particular budget. What time of year?

A: Deb Evans- We normally present the preliminary budget to the Commission in the Fall for the next year and allow Commissioners an opportunity to modify it before it is implemented in the Spring. This year we tried to present it to you, but with the RFP, and trying to complete BTOP project, we were unable to present it to the Commission at the normal time. Again, we apologize we were unable to allow the Commission the opportunity to modify the budget this year. We had to do a two year budget. I believe there may be a chance make some modifications for FY15 but I am uncertain right now.

Contract Limitation Amount Adjustment - Mark Johnson

On an annual basis under Chapter 8D.11, ICN has the opportunity to adjust the Contract Limitation Amount, which is the amount that ICN can actually seek and enter into contracts without needing approval from the Legislature. Currently, the Contract Limitation Amount is just over 2.2 million dollars. The CPI information we use to update that limitation amount will be published within the next month or so. ICN will then recalculate that amount and provide notice in the Administrative Rules Bulletin. It is not a rule process, it is just a notice. We will make sure that the Commission receives that document before it is actually published.

Administrative Rules and Regulatory Report-Jontell Harris

The Administrative Rules and Regulatory Plan agenda items can be combined as they are related. Executive Order Number 9 requires each State agency to submit an Annual Regulatory Plan/Report detailing foreseeable rulemaking initiatives for the upcoming fiscal year. At this time, ICN has no rule

making initiatives that would require any modifications to the Admin Rules. Therefore, the Regulatory Plan states that no regulatory action is anticipated for Fiscal Year 2014.

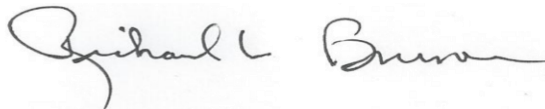
Other Business

No other business.

Adjournment

Commissioner Kohorst moved that the meeting be adjourned. Commissioner Sellers seconded. The ITTC meeting adjourned at 11:16 a.m.

ATTESTED TO:

A handwritten signature in dark ink, appearing to read "Richard L. Bruner", is written over a light blue horizontal line.

Richard Bruner, Chair, Iowa Telecommunications and Technology Commission